EXHIBIT 16

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GEORGETOWN UNIVERSITY

Office of Student Financial Services

Video Transcription of:

Interview of Mr. Bill Schilling

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Dean's Office

Research and Finance Department

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Link to video interview (clickable in Digital version):

FERPA/PII Redaction

0:00

Tell us a little about Penn and the aid forms you require.

Bill: Penn is an old institution. We were founded in 1740 by Benjamin Franklin, and you see indicators of Benjamin Franklin all over campus. We have 12 schools at Penn. We are a major research institution. Of the 12 schools, 4 have undergraduate programs. And our major responsibility in the financial aid area is for the undergraduate population. We have about 10,000 undergraduates from all across the country and from around the world. We are committed to making Penn affordable for every student who is admitted; we have a policy of meeting the full financial need of every admitted student. And we meet the need without including student loans in the package. In order to determine the student's eligibility, we require the College Board PROFILE, parent and student tax returns and W-2s, and of course the FAFSA is required for the student to be eligible for Federal financial aid programs.

1:46

How do you assess a student's eligibility for aid? What's the process and what do you look at?

Bill: We have a very individualized comprehensive process. We want to come up with the right Net Price for each student, and the right Net Price is the price that is going to enable that student and the student's family to make the decision to come to Penn, if Penn is their first choice.

So we, our staff, read every application very carefully. We obviously consider income, but we consider the sources of income. We don't just look at the adjusted gross income. We look at whether the income was wages, or dividends in interest, or withdrawals from pension plans. We want to get a comprehensive idea of the family's situation. We look at unusual expenses the family may have, (medical and educational expenses). We look at the size of the family's household, (how many they are supporting). We look at how many family members, (children), are in college. And we look at the assets of the family. So we try to look at everything that bears on the capacity of that family to contribute towards education at Penn.

3:14

What is the 568 President's Group of colleges, and how do they calculate how much a student's family should contribute toward college costs?

Bill: The section 568 President's Group is a group of Need-Blind colleges and universities. Under the law they must be Need-Blind to be part of the group and discuss issues of niche analysis.

The group was formed to try to get greater consistency in how the member institutions viewed financial aid. All of the members are College Board PROFILE users. And the idea was not to come up with a new methodology different from the institutional methodology of the College Board, but to look at very specific issues and situations, where historically College Board users, PROFILE users, were tending to do their own thing and do things differently from one another. So, it was kind of looking at very specific issues around the edges rather than come up with a new methodology.

Some of the things we have looked at are:

1) **Treatment of home equity.**
   We feel strongly that home equity is a factor in assessing a family's financial strength. On the other hand, we were concerned that in some situations the home equity was having too greater impact on what the family was expected to pay. So, we've done a couple of things:

   No. 1: We look at when the family bought their home, what they paid for at that time. The reason we do that is to account for situations where there has been rampant inflation in home values. This was a bigger problem certainly 4 or 5 years ago than it is today, but it is still a problem in some parts of the country, more than others.

   No. 2: We make sure that when we are looking at home equity, it is commensurate with the family's income. In some cases a family might have bought a home 40 years ago, and paid off the mortgage, but now their income has declined from when they bought the house, and we don't want to use the full value in determining the role of home equity in their financial strength, if it is out of line with their income. So, we do have an agreement to cap the home equity at 1.2 times the family's income.

2) **Other Assets.**
   Historically, student's and parent's assets were assessed very differently both in the Federal and Institutional approach. And we knew that there were games being played about "where do we put the money? Do we put it in the student's or in the parent's name?" very often the family saved money for the students, and for tax purposes and other purposes put it in the student's name, and that had a dramatic

effect on how much of that money was expected to be used for that student's education. And we felt that it was much more equitable and made more sense, and got rid of some of that game-playing, if we looked at family assets as family assets and treated them essentially the same. So, this was another area that the 568 group took another direction, slightly different from the basic methodology of the College Board.

That's the underpinning of the 568 approach, the institutional methodology.

And I think that's very fair and reasonable, and that can make a big difference for some families that have saved a lot of money in the child's name. You pointed out that there is game-playing going on - "don't save in your child's name" - you see the headlines all the time, that's a lot of bad advice around that area. So, I think that it is a very positive message for families across the country, because it lets them know "Hey, save, do the right thing for your family and you're not going to be penalized for doing that."

Bill: Right, I think the Group took the approach that we want to try to come up with the most accurate way of coming up with that right Net Price. For families across a broad spectrum of financial strength, clearly, when we are looking at the private institutions that are in the 568 group, with total cost of between $50 and $60 thousand, we have a fairly wide range of families that need some assistance to meet that total cost, from the very lowest income to some families in the upper-middle income range.

What we wanted to do was to address the financial issues across the board of the range of families that can afford the full sticker price.

9:44

Do student's aid awards stay the same from year-to-year?

Bill: I think a lot depends on whether it's a Need-Based or Merit Award financial aid. In general, need based aid is reviewed every year. And of course, we are fully Need-Based. So we review the family situation each year. Family's financial strength can change from one year to the next. It can improve; it can worsen. So, we want to see each year what the family's income is; what their assets are; are they having children coming in and out of college that can have major impact on their ability to pay for the student at Penn.

Our policy is that, and I don't know that I can say that this is true at every school in the country, we will accept an aid application at any time in the course of the year, in the course of the student's career. And that has been really critical in the past 3 or 4 years, as we have been going through this recession. We've had a tremendous number of families, where one or both of the parents has become unemployed, or has had to change jobs, moving from a higher income to a lower income. We need to take this into account, if it changes the family's ability to contribute from year 1 to year 2. But we also have to take into account if it happens in the middle of the year, in January for example.

Our policy is that if there is a change in circumstances, a family can appeal their aid eligibility at any time during their career, and at any time during the academic year.

12:08

What should families do if they have unusual circumstances related to their finances, employment or family situations?

Bill: We tell families that they should contact us, if they feel that the Net Price we have given them, which is their aid package, does not enable them to make the decision to come to Penn, or in the case of an upper-class student to stay at Penn. To us, retention is every bit as important as recruitment, and we need to see the student and the family throughout their full career.

Our general policy is that we will consider a request for reevaluation:

1) If the family has circumstances that we may not have fully consider, when we did the original evaluation of their financial need.
2) If there has been a change in their circumstances.

We feel we want to get the Net Price right. We want the student to be able to make the decision to come to Penn, if Penn is their first choice. So, we don't really want to encourage haggling, for the sake of haggling. We don't see ourselves as a "market in the square," where we want to kind of get the price down to where the family wants, but we want to make the family to be comfortable with the decision to come to Penn.

14:03

When should families appeal a financial aid award, and how should they do it in a professional manner?

Bill: We have an application for reevaluation, which is an Appeal Form. I think the family just needs to let us know, or any school know, that they really think that they are going to have difficulty in meeting what is expected of them, in meeting the contribution that is expected of them, and then they need to give some reasons "why?" We collect a lot of information through the tax returns, the W2s, and the PROFILE form upfront, but there is a lot of other information that may bear on the family's ability to contribute that we don't necessary capture upfront. So, the appeal process is an opportunity for the family to provide us even more information that they feel is relevant to their ability to contribute.

We do think that with our own supplemental form and the PROFILE form, allows the family in the first place to give us some narrative, to help explain their situation. And we read them very carefully, but the families not always take advantage of them, [to give a good narrative], so the appeal process gives us a little bit more information about the family.

It may also involve some direct contact between our staff and the families, either over the phone or in person, helping our staff get a better feel for the family's situation.

16:06

How does Penn's aid pledge of no student loans help students plan ahead from an affordability standpoint?

Bill: It doesn't necessary tell the family what their expected contribution is going to be, until we have actually reviewed the application, but the family going into the process does know that:

1) We're going to meet the full need
2) The admissions process is going to be Need-Blind. That is, whether or not they apply for aid, it is not going to affect the admissions decision
3) We're going to meet [the need] with a combination of work-study and grants, without any student loans in the package

Students still have the opportunity to borrow, if they choose to, but it would be on top of their package, so they would be able to supplement. The Direct Loan is a Title IV Program, and some students choose to take advantage of it, even though we don't expect them to do so, to meet the need that we determine.

17:28

What is tuition discounting? Does it help colleges fill seats at an affordable price, and is it a sustainable practice?

Bill: Well, my definition might be different from how a lot of folks understand tuition discounting. To me, it seems that tuition discounting, from an institutional point of view, is reducing your tuition revenues that you're receiving from your student population. What varies from school to school is the basis on which they do that. We do tuition discounting, but it is all based on financial need. That is, some of our aid is funded from endowment income. Most of it is reducing the amount we expect from students whose family can't afford the full amount. I see that as tuition discounting.

In general, what is understood as tuition discounting is discounting based on factors other than need in order to attract students who might be more inclined to attend, if their Net Price were lower. These may be Merit awards; they may be based on where the student lives – I think there had been private schools that have done some tuition discounting for in-state students, because of the fact that they are competing with public institutions in their State, and they wanted to have a somewhat more competitive Net Price.

Obviously, I think that that kind of tuition discounting, if it works, if it attracts students who otherwise wouldn't come if they paid full sticker price, probably makes more sense if the school is trying to increase their enrollment, if they're not in capacity, because if they can increase their enrollment, even charging a lower price per student, they may be increasing their Net Revenue overall. And I think the whole goal of tuition discount is to increase your Net Revenue by reducing your individual tuition Net charges for some or all of your students.

I think whether it's sustainable depends on how much the school is discounting its revenue and whether it has enough Net Revenue to pay its bills, to pay its faculty, administrative costs, utilities. I think a lot of schools that are using tuition discounting probably don't have a lot room to go any further.

21:00

If Penn's endowment takes a hit in the financial markets, will that affect your ability to continue your no-loan aid pledge?

Bill: Our President, Amy Gutmann, is a firm believer in affordability, and it has been one of the major planks of her compact with Penn. We went through some issues with our endowment, earlier in the recession, and we've had an even greater impact on the number of students requiring need, again because of unemployment. We've seen a 20% growth on the number of grant recipients – that has really pushed our aid budget up. And it has certainly made it a challenge for our Budget office to identify the sources of revenue to pay for it. Through all of that, the commitment to affordability, to Need-Blind admissions, to meeting full need, and no loans, has not changed. So I don't see that changing. It does present a challenge to us in terms of the funding.

We have made great strides in the last 10 to 15 years in increasing our endowment for undergraduate aid, but even so our endowment covers only about 20% - 25% of our undergraduate grants. The rest of it basically is discounting the tuition of the students with financial need.

23:01
What concerns do you see on the college aid horizon over the next few years?

Bill: It's hard to know, I love my crystal ball in my office, but I don't have it with me. I'm concerned, certainly, and I don't know how much this may change as we come out of the recession, but I'm concerned about the funding available for financial aid. I think, when we're looking at affordability, we really have to focus on the Net Price, not the sticker price. I think one of the problems we have seen in last 5 years, is that in a lot of institutions the sticker price has continued to grow at somewhat higher rates than the cost of living and incomes for the middle, lower-middle, and lower income families, but the financial aid has not kept the pace across the board. In some cases, it has, in some schools, it has. Certainly, at Penn we have increased the aid more than the increase of the sticker price.

I think that at public institutions, 4 year public institutions, where I think 2/3 of the freshmen seats are, and at a lot of private institutions that have very little endowment, and have large percentage of their students with financial need, and may not be using all of their aid resources for Need-Based aid, the burden on the parents and the students through borrowing has been increasing, and I think this has to be deal with. I don't think it's just a question of keeping sticker prices down. I think it's a question of keeping financial aid resources, and Need-Based discounts, in line with increases in the sticker price.

I am worried that both at the public policy level, and among the public generally, there is less of a sense today of the importance of education to the country and to the economy, and not just to the individual. Clearly, there is an advantage to the individual who gets a college degree. There are all sorts of evidence, including the College Board's publications about the advantages of a degree, but I think we are not focused as much as we should on the importance of more of our students getting the education they need to be competitive, and to make the country competitive in the global economy.

So I think we need to try to get that message back out. I think schools have to try to not only keep their sticker prices' increases as low as they can, but to focus more on, as they look at their sticker prices, what are we doing in terms of reducing the Net Price for the families that need assistance.

END.